

G, E-999/AA-91-653 ORDER ACCEPTING ANNUAL AUTOMATIC ADJUSTMENT
REPORTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of the Review of
1991 Automatic Adjustment of
Charges for All Gas and Electric
Utilities

ISSUE DATE: March 24, 1993

DOCKET NO. G,E-999/AA-91-653

ORDER ACCEPTING ANNUAL AUTOMATIC
ADJUSTMENT REPORTS

PROCEDURAL HISTORY

Under Minn. Rules, parts 7825.2390 through 7825.2920, regulated gas and electric utilities may adjust their rates between general rate cases to reflect fluctuations in the prices they pay for gas or electricity purchased for delivery to ratepayers, or for fuel purchased to generate electricity for ratepayers. These adjustments are called automatic adjustments, because they normally take effect without prior Commission approval.

Utilities using automatic adjustments are required to submit several filings on September 1 of each year, providing information on automatic adjustments made during the preceding twelve month period from July 1 to June 30. Utilities must serve notice of these filings on all parties who intervened in the utilities' last two general rate cases. Minn. Rules, part 7825.2840. The annual filings are an important element of the ongoing review of utility fuel costs conducted by the Commission and the Department of Public Service (the Department).

All Minnesota utilities subject to the annual filing requirement have filed their 1991 annual reports, and have complied with the notice requirement of Minn. Rules, part 7825.2840. The following utilities have filed annual reports:

Dakota Electric Association
Great Plains Natural Gas Company
Northern Minnesota Utilities
Interstate Power Company (Electric Division)
Interstate Power Company (Gas Division)
Midwest Gas Company
Minnegasco, Inc.
Minnesota Power and Light Company

Northern States Power Company (Electric Division)
Northern States Power Company (Gas Division)
Otter Tail Power Company
Peoples Natural Gas Company
Western Gas Utilities, Inc.

Northwestern Wisconsin Electric Power (Northwestern) did not file annual automatic adjustment reports. Because Northwestern has only 90 customers in the Minnesota jurisdiction, the Commission has found that the imposition of annual filing requirements on this company would be unduly burdensome. On February 20, 1992, Northwestern received a one year extension of its variance exempting it from the Commission's annual filing requirements. Docket No. E-016/M-92-65.

The Department filed its review of the utilities' annual reports on July 6, 1992. The Department's report reflects its review of the accuracy of utilities' monthly automatic adjustment calculations, and the gas utilities' annual true-up adjustments. The Department recommended that the Commission accept the utilities' annual filings.

No party filed comments.

The matter came before the Commission on March 11, 1993.

FINDINGS AND CONCLUSIONS

I. The Reports

The annual reports filed by five electric and eight gas utilities fell into four categories according to rule requirements.

7825.2800 Annual Reports; Policies and Actions

All public utilities are required to make annual filings outlining their procurement policies for selecting sources of fuel and energy purchased. The utilities must also file dispatching policies, if applicable, and summaries of actions taken to minimize cost.

Having reviewed the policies and actions reports filed by the gas and electric utilities, the Commission finds that the reports are in compliance with rule requirements. The Commission will accept these reports.

7825.2820 Annual Auditor's Report

Under this rule, gas and electric utilities must file independent auditor's reports evaluating accounting for automatic adjustments for the prior reporting year. All gas and electric utilities submitted filings satisfying this annual requirement, with the exception of Great Plains Natural Gas Company (Great Plains).

On February 8, 1993, Great Plains submitted a request for a variance from Minn. Rules, part 7825.2820. Great Plains sought exemption from the reporting requirement for the 1991 reporting year only; future annual auditor's reports would be duly and timely filed. On March 24, 1993, the Commission granted Great Plains a variance from Minn. Rules, part 7825.2820 in Docket No. G-004/AA-93-103.

The Commission accepts the annual auditor's reports filed by the other gas and electric utilities.

7825.2830 Annual Five-Year Projection

Under this rule, all Minnesota electric utilities must submit annual five-year projections of fuel costs by energy source. Gas utilities must submit annual brief statements of their opinion of the impact of market forces on gas costs for the coming year.

The Commission finds that all gas and electric utilities required to make these annual filings have submitted reports meeting these requirements.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES

Under this rule all utilities using automatic adjustments must file annual reports providing detailed information on all automatic adjustments made during the preceding reporting year. In addition, gas utilities must file annual reports regarding rule variances, changes in contract demand, levels of customer-owned gas volumes delivered through the utility's distribution system, and deviations between gas cost recovery and actual gas cost.

Although some gas and electric utilities under- or over-recovered beyond a 1.5% threshold established by the Department in its analysis, the Department felt that the under- or over-recoveries were sufficiently explained by weather conditions, calculation errors, or changes in energy consumption. The Department recommended that the Commission accept the filings submitted by the gas and electric utilities.

The Department did note that Midwest Gas under-recovered its gas costs by 5.15% in 1991. The percentage difference between Midwest's actual gas costs and recovered costs were greater than

any other gas utility's, a situation which is part of a pattern for Midwest for at least the last seven years. In its report, the Department stated that it "believes that future deviations of this magnitude deserve additional detailed explanations and justification and extra scrutiny by the Department and the Commission."

The Commission echoes the Department's concern regarding Midwest's consistent disparity between actual costs and recovered costs. With the assistance of the Department, the Commission will continue to monitor this situation carefully. Although the Commission will not initiate an investigation at this time, it will scrutinize Midwest's future filings with particular care.

The Commission agrees with the Department that the annual automatic adjustment reports submitted by the gas and electric utilities should be accepted. The utilities' annual filings, and the Department's annual report, have provided a useful analysis of the consequences of utilities' purchasing strategies in 1991.

II. Commission Action

The Commission will accept the annual reports filed by the above-named gas and electric utilities as being in proper form and in general compliance with Minn. Rules, parts 7825.2390 through 7825.2920. The Commission commends the utilities for the cooperation they have displayed in this ongoing review process.

The Commission finds that the Department's reports on the annual utility filings were useful, careful and thorough. The Department's review has been of great assistance to the Commission in its analysis. At the same time, the Commission believes that the Department's reports could be developed even further in the future through the inclusion of certain additional elements. The Commission's suggested additions are outlined below.

III. Suggested Additions to the Department's Future Reports

Comparison of Policies and Actions

It would be useful to compare the policies and actions reported by the utilities in the 1991 reports under Minn. Rules, part 7825.2800 with the actual cost of fuel in the 1992 reports. The Department may wish to attempt such a comparison in one of its future reports to the Commission.

Summary Data Ranking Gas Utilities

The Commission would like to see gas utilities ranked on an annualized basis in the following areas:

- a. average annual total bill per customer;
- b. total weighted-average-cost-of-gas/unit;
- c. third-party weighted-average-cost-of-gas/unit;
- d. demand costs of gas/unit;
- e. cost of gas storage/unit; and
- f. commodity margin/unit.

The Department has indicated that it is willing to incorporate this suggestion and is currently working on its computer programs to allow it to generate this type of report on the computer. The Department estimates that it will be able to include this information in its review of the 1993 annual reports.

Review of Gas Utilities' Peak-Day Demand Profiles

The Commission would benefit from a summarized annual review of each gas utility's peak day demand profile, in comparison to its load factor, along with an assessment of the reliability of its gas supply. The Commission could best use this information if it compared all the utilities with each other and benchmarked existing gas supply strategies.

Report on the Consequences of Northern Natural's New Services Tariffs

Northern Natural's New Services tariffs are likely to have a significant effect on demand costs. The Commission would like to see a brief report on how the local distribution companies have dealt with the advent of Northern Natural's New Services tariffs. The Commission would like to ensure that the utilities have formulated plans for minimizing demand costs under the new tariffs. A brief one-time report from the Department in the next feasible annual report would assist the Commission in its analysis.

The Department has indicated that it has opened a New Services docket for each of the gas utilities. In these dockets the Department will review what each utility did when it converted its pre-New Services entitlements to New Services entitlements. These ongoing dockets, along with the aforementioned one-time Department report, would be highly useful for the Commission.

ORDER

1. The annual reports filed by the above-named gas and electric utilities for the twelve-month period between July 1, 1990 and June 30, 1991 are accepted as being in proper form and in general compliance with Minn. Rules, parts 7825.2390 through 7825.2920.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)